



OE RESOURCE REQUEST APPLICATION

University of California, Berkeley

I. SPONSORSHIP

A. Initiative

Initiative	Procurement		
Initiative Manager	Ron Coley, Associate Vice Chancellor, Business and Administrative Services, UCB Jim Hine, Executive Director of Campus Procurement, University of California, Berkeley, and University of California, San Francisco		
Phone	+1 510 643-1430 (Ron) +1 510 642-1943 (Jim)	E-Mail	rcoley@berkeley.edu jhine@finance.ucsf.edu

B. Sponsorship

Sponsor Name	John Wilton, Vice Chancellor, Administration and Finance (UCB)		
Sponsor Signature		Date	
Sponsor Name	John Plotts, Senior Vice Chancellor, Finance and Administration (UCSF)		
Sponsor Signature		Date	
OE Program Office Signature		Date	

C. Give the title of the resource

The Collaborative Procurement – Center of Excellence
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II. PROBLEM STATEMENT/CASE FOR CHANGE

A. Identify and describe what needs the proposed solution is seeking to address.

In July, 2010, UC Office of the President issued a Resolution seeking opportunities for maximizing administrative efficiency and providing encouragement for the campuses to consider shared services and administrative commonality requirements for reaching the efficiency objective.

As of the Fall of 2010, UC Berkeley had been without a Procurement Director for six months, and its Strategic Sourcing group was significantly under-resourced.

In November, 2010, UC Berkeley and UCSF came together to ratify “Core Operating Principles for Collaboration between UC Berkeley and UCSF Procurement – Pilot Phase,” under which the two universities would explore sharing select resources in order to serve joint needs. In the short term, the pilot was intended to remedy UC Berkeley’s deficiencies (lack of a Director and under-resourced Strategic Sourcing Group) while testing the sharing of resources across 4 key areas:

- Procurement leadership
- Strategic Sourcing group
- eProcurement implementation: see the BearBuy Project

- Commodity Expertise: see the Commodity Project

The Core Operating Principles delineated governance structure, reporting relationships, the pilot organizational structure, ongoing roles and responsibilities, and funding for the pilot phase of the Collaborative Procurement – Center of Excellence. (See Exhibit A)

B. Describe the solution that is being proposed to meet the identified need(s).

The UCB/UCSF Collaborative Procurement-Center of Excellence (CP-COE) Project: Plan, pilot and implement an integrated/shared procurement operational organization designed to maximize administrative efficiency across UC Berkeley and UCSF to enhance service levels while achieving savings.

C. Describe the alternate approaches you evaluated in the process of developing this proposal and why those alternatives were not selected.

UCB does not have the current procurement leadership to pursue the aggressive strategy recommended by Bain, the OE team and the BearBuy team. Would have to hire new leadership which would take time, money and reduce the opportunity for collaboration with UCSF.

III. IMPACT AND STRATEGIC ALIGNMENT

A. Describe how the proposed solution aligns with the OE goals:

- Reduce administrative costs and enable the campus to direct more resources to teaching and research
- Advance an effective and efficient operating environment
- Instill a culture of continuous improvement that leads to high quality performance and outcomes

UC Berkeley and UCSF are creating a Collaborative Procurement Center of Excellence with the objectives of:

- Leveraging the combined purchasing power of the two campus through strategic sourcing
- Optimizing procurement effectiveness through improved usage of RFPs, expansion and extension of programs such as freight and warehouse management
- Streamlined operations through enhanced usage of technology
- Expanded organizational delivery capacity through streamlined management with ability to meet resource needs especially in times of constrained budgets

B. Identify any other anticipated benefits in implementing the proposed solution.

Together, UC Berkeley and UCSF have a combined annual spend in excess of \$1 Billion. The CP-COE has identified the following significant benefits:

	Key element	Oppty. size	Imple. difficulty	Benefit type		Benefit	
				Effective-ness	Effi-ciency	UCB	UCSF
Sourcing	Improve terms/pricing from consolidated UCB/UCSF volumes to system-wide vendors		Med	X		Med	Med
	Regional agreements with joint vendors		Med	X		High	High
Procurement	Increased "strategic procurement" RFPs, negotiated agreements for transactional procurement		High	X		High	High
	Expansion/extension of specialty programs (e.g., EMI, equipment DB, incoming freight, warehouse, auctions)		Low	X		High	Med
Ops/ Tech	Consolidated catalog management		Med	\	X	Med	High
	Consolidated systems (e.g., e-pro, PeopleSoft)		High	\	X	High	High
Organization	Streamlined/Shared management		Med	X	X	High	Low
	Bridge resources gaps		Med	X	X	High	Med

C. Identify the risks of not implementing the solution.

For UC Berkeley, the status quo will likely lead to a less effective procurement service with a significantly reduced probability of achieving the OE Procurement Initiative’s target cost savings. This is because under the status quo, UC Berkeley will continue to have a limited ability to drive spending under management and obtain favorable prices for procured goods and services.

In addition, UC Berkeley’s historical experience with large-scale system deployments has illustrated that, in the event of an unsuccessful implementation, the remedial costs associated with post-launch fixes, cumbersome end-user work arounds, lost orders, and increased department workload are substantial.

Finally, continuation of the status quo will lead to a broad erosion of credibility for the full OE effort on campus.

D. Describe the constituency that is intended to benefit from the proposed solution (e.g. students, faculty, staff, 1-many units)

The project will have a direct benefit to faculty and staff in all units across campus as it will help ensure they have access to low-price contracts and receive a high-level of customer service from Procurement. It will also have an indirect impact on students since savings generated for the campus potentially means less revenue that must be generated through increased student fees.

E. Describe the extent to which this proposed solution is a collaborative effort either within campus or with external partners.

This project, as with the BearBuy Project, is designed to be a collaborative project with UCSF and will result in a single procurement organization serving both campuses.

F. If applicable, describe how the proposed solution may enable additional projects to be considered.

Since this project, as with the BearBuy Project, is an example of a collaboration opportunity with UCSF that can leverage resources, it will serve as a model for other collaborations that can exist with UCSF and other campuses in the future. In fact, other collaboration have already been inspired in Property Management, Housing and Dining, Facilities Services, and more to follow.

G. What is the impact of the proposed solution on the existing systems and processes? Does it eliminate the need for existing systems and processes?

The project creates the opportunity for a deliberate, smooth evolution from our current state to the desired end state of a single procurement organization serving UC Berkeley and UCSF in an efficient, cost effective way.

H. What is the impact on the proposed solution on the workload?

Profile/Impact in hours	Current Workload	1-time workload requirement	Ongoing workload requirement
Student	N/A	N/A	N/A
Staff	We will hire new staff to close gaps that currently exist in Procurement in terms of resources and skills, which will allow current workload to be handled more efficiently by the campus.	Training on new processes and procedures will be required for both existing staff and for newly-hired staff.	Similar to the effects on current workload, ongoing workload will be redistributed and optimized so that staff are handling issues/requests they have the resources to handle.
Faculty	N/A	N/A	N/A

IV. WORK PLAN AND PROPOSED SOLUTION DESIGN

A. Provide a statement of:

- Deliverables — results the solution must deliver to achieve the stated objectives.
- Constraints — factors that may limit the options for providing the solution (e.g., an inflexible deadline).

The CP-COE will deliver the combined procurement entity over time through a series of phases releases, defined as follows. Detail rollout plan and org chart transitions are included in the appendix.

Release 1	Release 2	Release 3	Release 4 (Wave 1)	Release 5 (Wave 2)
Timing: Complete	Timing: In Process	Timing: Post BearBuy	New Unit	End State
Shared Resources			Co-Op COE Resources	
<ul style="list-style-type: none"> ▪ Executive Director / Materiel Manager ▪ Strategic Sourcing team 	<ul style="list-style-type: none"> ▪ Executive Director / Materiel Manager ▪ Strategic Sourcing team ▪ Commodity Specialists ▪ Catalog Management 	<ul style="list-style-type: none"> ▪ Executive Director / Materiel Manager ▪ Strategic Sourcing team ▪ Commodity Specialists ▪ Catalog Management ▪ Shared Operations / Technology Management 	<ul style="list-style-type: none"> ▪ Executive Director / Materiel Manager ▪ Strategic Sourcing team ▪ Commodity Specialists ▪ Catalog Management 	<ul style="list-style-type: none"> ▪ Executive Director / Materiel Manager ▪ Strategic Sourcing team ▪ Procurement team ▪ Commodity Specialists ▪ Catalog Management ▪ Operations / Tech Management and team
Campus / Department Resources				
<ul style="list-style-type: none"> ▪ Procurement team ▪ Operations team ▪ Technology team ▪ Campus Buyers 	<ul style="list-style-type: none"> ▪ Procurement team ▪ Operations team ▪ Technology team ▪ Campus Buyers 	<ul style="list-style-type: none"> ▪ Procurement team ▪ Operations team under Shared management ▪ Technology team under Shared management ▪ Campus Buyers 	<ul style="list-style-type: none"> ▪ Procurement team ▪ Operations team under Co-Op management ▪ Technology team under Co-Op management ▪ Campus Buyers 	<ul style="list-style-type: none"> ▪ Campus Buyers

B. Provide a work plan for the proposed solution with high-level steps to complete the solution, including timeline. (Try to limit your plan to no more than seven steps.)

	MILESTONE	TIMELINE
1.	Combine Sourcing Operations	Complete: 2010
2.	Hire shared commodity experts for IT and Life Sciences	June 2011
3.	Initiate UCOP Procurement Services Reengineering	May 2011
4.	Complete joint BearBuy implementation	December 2011
5.	Implement shared Ops/Technology management	Jan. 2012
6.	Implement single instance PSFT/SciQuest	TBD
7.		

C. What are the data requirements for the proposed solution?

Performance metrics, see F. below.

D. What are the technical requirements for the proposed solution?

1. The most critical technical requirement to this collaborative initiative is the successful implementation of Bearbuy at UCB and UCSF.

2. With respects to the longer-term vision, essential technical requirements include Single Chart of Accounts and a single instance of BearBuy and PSFT financials for UCB and UCSF.

E. What are the greatest risks for the proposed solution and the plan to reduce or eliminate the risks.

	RISK	MITIGATION PLAN
1.	Support for collaboration wanes with Senior Management on either campus.	Be diligent in measuring and assessing whether or not we are meeting key milestones and in communicating this information to Senior Management. Attachment in appendix is example of the updates provided jointly, regularly with senior management from both campuses.
2.	Lack of integration between the two campuses.	Develop a multi-pronged communication strategy and multi-channel training approach to ensure staff on both sides of the Bay are fully equipped to bridge the gaps.
3.		
4.		
5.		

F. How does the proposed work plan allow for evaluation and course correction to ensure the outcomes meet the campus needs?

By closely monitoring accomplishments and progress with respects to deliverables, constraints, and milestones listed above in sub-sections IV.A. and B.

v. CHANGE MANAGEMENT

A. What is the change management plan to successfully implement the outcomes of the proposed solution?

The change management plans, tools, and resources used for the BearBuy implementation and adoption will be used to advance and promote the collaborative project. BearBuy encompassing both campus’ procurement operations so completely that it serves as the perfect vehicle to deliver the necessary change, while also serving as the most obvious indicator of success of the UCB and UCSF procurement collaboration.

B. What incentives and/or disincentives are proposed to influence behavioral changes necessary for the successful outcome of the proposed solution?

The most effective incentive that will drive success of the collaboration is simply the constant state of radical change, the integration of both campuses’ procurement operations. Everyone engaged with the collaboration understands that failure is not an option; consequently, only those who are the best contributors to success will be allowed to remain a part of the integrated model.

C. Who has been identified as the change leaders and implementers to carry out the changes necessary for the successful outcome of the proposed solution?

Project Manager – Jim Hine, Executive Director for Campus Procurement
Sponsors – Ron Coley, Associate Vice Chancellor for Business and Administrative Services

vi. FUNDING MODEL AND BUDGET

A. Could the proposed solution move forward with partial funding? If yes, describe the revised scope, including the associated savings impact.

OE funding is not being requested.

B. What is the plan for sustainable funding to support ongoing operations of the proposed solution?

Vendor incentive rebates, BluCard incentive payments, and “diminishing” central campus funding, which will come from savings generated by successful implementation of all aspects of the

Procurement Initiative.

- C. Please download and fill out the OE Resource Request Budget Template located at [location] and follow the instructions on the first worksheet in the workbook to complete the budget and line descriptions. Include both completed sheets with the Resource Request.

Please see the overall Procurement Business Case

VI. ASSESSMENT PLAN

Please use the table below to detail your metrics.

Many, if not most, of the outcomes of these recommendations directly tie to the use and contribute to the benefits of BearBuy. As such, the deployed assessment model will be substantially the same as the BearBuy Assessment Plan. Please see the BearBuy Resource Request Application. During the next phase, should a need for an Assessment Plan materialize, the overall Procurement Assessment Plan will be updated.

Core Operating Principles for Collaboration between UC Berkeley and UCSF Procurement- Pilot Phase

I. Background

In alignment with a Resolution from the UC Office of the President to seek out opportunities for maximizing administrative efficiency, UC Berkeley and UCSF are exploring options for collaboration in their procurement operations to enhance service levels while achieving savings.

Leaders from both the UCSF and UC Berkeley campuses are committed to reviewing every available alternative for attaining mutual benefits through collaboration within their respective procurement activities. In the process of exploration, if and when issues are identified that will adversely impact either of the campuses, the leaders from both campuses agree to reassess their options and redirect resources as appropriate. An essential tenet of this collaboration is that neither campus should see a degradation of customer service as a result.

For an initial pilot, the two universities are exploring an opportunity to share select resources across campuses in order to serve joint needs. UC Berkeley has been without a procurement leader for over six months since the sudden departure of its prior Procurement Director, and in the interim its Strategic Sourcing group has remained significantly under-resourced. The proposed pilot will help remedy this deficiency while testing the sharing of resources across the following areas:

- **Procurement leadership:** Current UCSF Executive Director of Campus Procurement and Contracts (CPC) to provide management and guidance to both UCSF and UCB campuses
- **Strategic Sourcing group:** Strategic sourcing personnel from both UCSF and UCB to become a joint team to provide strategic sourcing services to both campuses
- **eProcurement implementation:** Current UCSF Director of Operations to act as program manager over joint SciQuest Full Suite implementation. Additional resources from this group and UCSF ITS will also support the joint project.
- **Commodity expertise:** Commodity specialists in select areas (e.g. IT, lab equipment, MRO) will be established within UCSF CPC and will be shared between UCSF and UCB for strategic sourcing and procurements in those areas

Pending results and experience gained from the initial pilot, additional functions within procurement may be candidates for further collaboration.

II. Purpose of this document

This document's purpose is to outline the foundational principles of the pilot initiative. Given the experimental nature of this pilot, specific operational details may need to evolve in order to adapt to the new reality and future unforeseen circumstances. However, basic principles for the pilot are articulated here to promote a general alignment between the pilot participants from UCB and UCSF. This document is not intended to be a legal article, human resource action, or public communication. Its sole purpose is to ensure mutual understanding between participants from UCB and UCSF.

III. Principles of Operation

- **Governance structure**

The pilot will be governed by a Board comprised of leadership from UCB and UCSF, representing the interests of the respective campuses while also maintaining a broader perspective of the greater UC system.

The Executive Director will report to the Board, who will evaluate the progress and performance of the pilot effort and the results on both campuses.

- The Board will be made up of the following individuals:
 - Frank Yeary, Vice Chancellor of Administration, UCB
 - John Plotts, Senior Vice Chancellor of Finance and Administration, UCSF
 - Eric Vermillion, Associate Vice Chancellor of Finance, UCSF
 - Ron Coley, Associate Vice Chancellor of Business & Administration, UCB
- At least one key customer from each campus will serve as advisor to the Board
- The Executive Director will meet with the Board for monthly updates to review progress and the performance of the pilot initiative

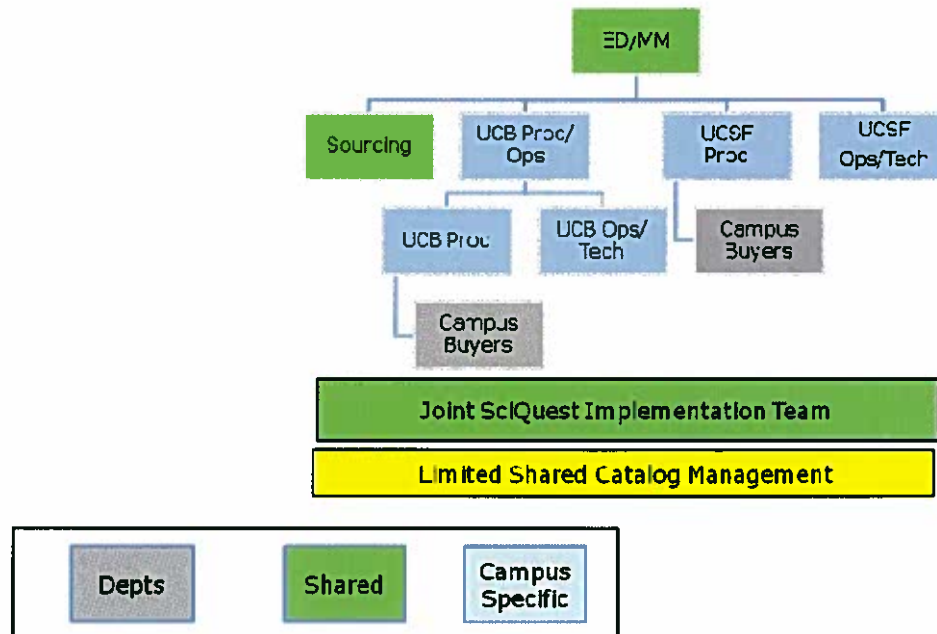
- **Reporting relationship**

The Executive Director will report to the Board, and have four direct reports from both campuses:

- Director, Strategic Sourcing (shared between UCSF and UCB)
- Director, Procurement Strategies (UC Berkeley)
- Director, Campus Procurement (UCSF)
- Director, Operations and Technology (UCSF)


- **Pilot Organization Structure**


Shared ED/MM, Strategic Sourcing, SciQuest Implementation team



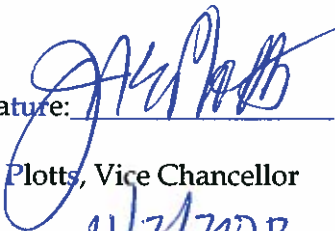
- **Roles and Responsibilities- ongoing**
 - *Executive Director (shared 50% each campus):* Responsible for all aspects of the procurement function on both campuses including the delivery of high quality purchasing services and the attainment of cost savings. Key duties include personnel management and leadership of procurement professionals on the campuses, department oversight and management of all key procurement and sourcing activities, and strategy development with the senior leadership teams on both campuses to drive continuous performance improvement and cost savings.
 - Oversees joint implementation of SciQuest on both campuses
 - *Director of Strategic Sourcing (shared 50% on each campus):* Responsible for evaluating the combined spend by both campuses and analyzing cost savings opportunities through various sourcing efforts. Supervises UCB and UCSF strategic sourcing professionals. Works with end-users to determine purchasing needs and requirements. Identifies, organizes, negotiates, and manages key spend categories. Actively creates and manages strategic relationships with key vendors based on the need for cost, quality, service, and other relevant performance metrics.
 - *Director of Technology and Operations (UCSF):* Responsible for delivering and maintaining procurement related technology and operational services on the UCSF campus. Leads procurement related technology investments and implementation. Supervises UCSF operational analysts to provide user support on procurement systems.
 - Plays program manager role on joint SciQuest implementation project
 - *Director of Procurement (UCSF):* Responsible for delivering purchasing services to the UCSF campus. Supervises procurement managers, supervisors, and buyers to procure goods and services for the campus. Hires and oversees incoming commodity specialists. Oversees complex bids and contracts to ensure best value for the campus, and directs the process of reviewing requests for exceptions or special purchases.
 - *Director of Procurement Strategies (UCB):* Responsible for executing daily procurement and operations related services on the UCB campus. Supervises Manager of Procurement and oversees operational support to deliver procurement services to the UCB campus.
 - Plays leadership role in e-procurement implementation at UCB.
- **Funding for pilot phase**
 - USCF and UCB will share the cost of shared resources on a fully loaded basis including travel expenses according to policy. Per the current pilot plan, this will likely encompass UCB paying UCSF the following costs on a monthly basis:
 - 50% of the cost of the Executive Director and Strategic Sourcing Director
 - 50% of joint Strategic Sourcing group cost net UCB headcount
 - An as yet undetermined portion of the UCSF Director of Technology cost for services rendered as the joint SciQuest implementation Project Manager
 - 50% of Commodity Specialist costs

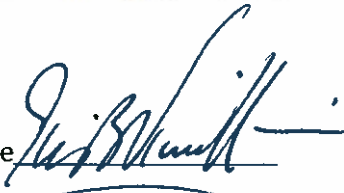
University California Berkeley

Signature: 
Frank D. Yeary, Vice Chancellor
Date: 10-27-10

Signature: 
Ron Coley, Associate Vice Chancellor
Date: Oct 27, 2010

University California San Francisco

Signature: 
John Plotts, Vice Chancellor
Date: 11/2/2010

Signature: 
Eric Vermillion, Associate Vice Chancellor
Date: 11/1/2010